

### DAILY POINTS

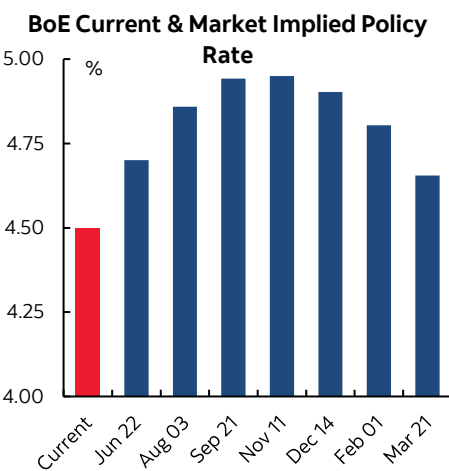
May 11, 2023 @ 8:15 EST

#### Contributors

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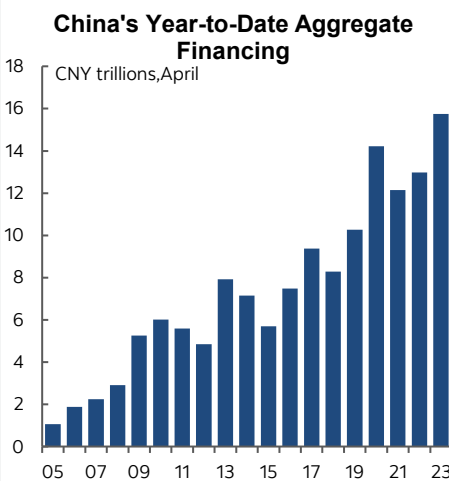
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Chart 1



Sources: Scotiabank Economics, Bloomberg.

Chart 2



Sources: Scotiabank Economics, Bloomberg.

### On Deck for Thursday, May 11

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
US	05-11	08:30	Initial Jobless Claims (000s)	Apr 29	240	245.0	242.0
US	05-11	08:30	Continuing Claims (000s)	Apr 22	1825	1820.0	1805.0
US	05-11	08:30	PPI (m/m)	Apr	0.5	0.3	-0.5
US	05-11	08:30	PPI ex. Food & Energy (m/m)	Apr	0.3	0.2	-0.1
US	05-11	08:45	Fed's Kashkari Takes Part in a Moderated Discussion				
US	05-11	10:15	Fed's Waller Discusses Financial Stability and Climate				

#### KEY POINTS:

- **Cautious markets drive stronger USD, lower sovereign yields**
- **BoE hikes 25bps, guides more to come, as markets offered little reaction**
- **Chinese credit expansion slows**
- **Chinese inflation strays further beneath the PBoC's target**
- **Trump is a reckless downgrade threat**
- **US producer prices may rebound**
- **US initial claims still rangebound?**

Global risk appetite is mixed across asset classes. Equities are mixed with US and Canadian futures little changed along with the average across European cash markets. The USD is gaining against all major crosses. Sovereign yields are mildly rallying across major markets including the UK where the gilts front-end only gave up a mild amount of its rally post-BoE. Chinese data for April added to weakening concerns after a robust start to the year. Another US inflation gauge is on tap and Trump proved for the millionth time that he's thoroughly unfit to run anything more than an ice cream truck.

The Bank of England delivered a mildly hawkish surprise this morning as this note is being published through Governor Bailey's ongoing press conference. The expected +25bps hike to a new policy rate of 4.5% was delivered. There was no change to QT guidance. Growth was upgraded by removing the previously forecast recession and eliminating any negative quarters for GDP growth and the inflation forecast was also raised. That monetary policy is fighting fiscal policy's influences upon inflation was made clearer by upgrading the fiscal policy contribution to growth to 0.5% this year from 0.3% after Sunak's earlier budget. There were two dovish dissenters who preferred no change today. Markets continue to price a higher terminal rate (chart 1).

Chinese inflation ebbed by a little more than expected and is practically nonexistent. CPI was up 0.1% y/y in April (0.3% consensus) which takes the reading back toward the lows that were being registered in early 2021. Core CPI was unchanged at 0.7% y/y. Producer prices fell 3.6% y/y largely due to already known oil price and other generally soft prices.

China also updated monthly financing figures for April that fell well shy of expectations. Aggregate financing was up 1.2 trillion yuan (2T consensus) and new yuan loans grew by 719B (1.4T consensus). This follows rapid Q1 growth as China pursued credit easing over monetary easing given yuan stability concerns. Year-to-date financing figures remain very strong because of the Q1 start (charts 2 and 3), but this is having relatively little effect on the year-over-year growth in outstandings (charts 4, 5).

As a result, while the gilts front-end is still slightly dearer on the day, the post-statement reaction saw the 2s yield rise by a modest 5bps and sterling is still weaker to the dollar on the day but by less than before the statement.

US core producer prices are forecast to rebound from the prior month's -0.1% dip. I'm a little higher than consensus at +0.3% m/m SA nonannualized. Initial jobless claims have

been stuck in a 230–250k range since early March as they slightly picked up from the prior 200–220k pace. They have not materially changed between April & May nonfarm reference periods.

And icymi, Trump did indeed say in last evening’s CNN town hall with a grossly outmatched and inexperienced “moderator” that the US should default if the GOP cannot secure major spending cuts in the debt ceiling dispute. He said it would only result in “a bad week, or a bad day” and that the issue is just “psychological.” That will egg on the minority in the House who set a lower recall bar on Speaker McCarthy’s performance. Granted, Trump’s just a bag of wind on any given issue. Still, he’s an instant downgrade threat if elected in 2024 due to the threat that he poses to debt markets and the entire institutional framework. So, add default risk to a list that includes protectionist, seditionist, sore loser, fiscally liberal, science-bashing, Putin-loving, lying, Constitution-hating, misogynist among many other flaws.

Chart 3

China's Year-to-Date New Yuan Loans

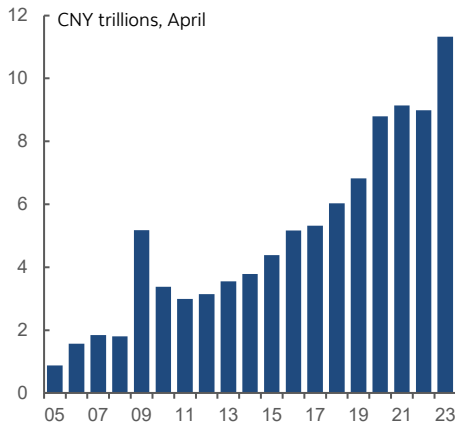


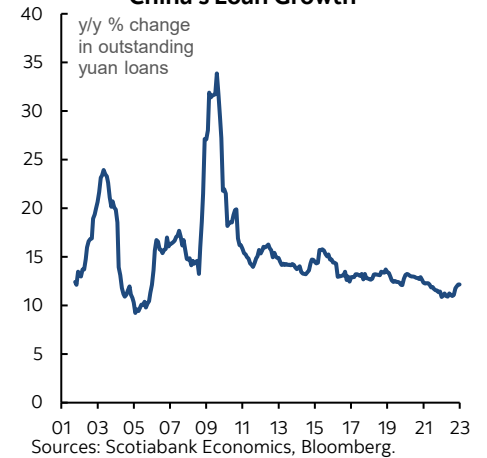
Chart 4

China's Waning Total Financing Growth



Chart 5

China's Loan Growth



Sources: Scotiabank Economics, Bloomberg.

Fixed Income	Government Yield Curves (%):									Central Banks				
	2-YEAR			5-YEAR			10-YEAR			30-YEAR			Current Rate	
	Last	1-day	1-wk	Last	1-day	1-wk	Last	1-day	1-wk	Last	1-day	1-wk		
U.S.	3.86	3.91	3.79	3.33	3.39	3.33	3.39	3.44	3.38	3.76	3.80	3.73	Canada - BoC	4.50
CANADA	3.64	3.69	3.56	2.96	3.00	2.89	2.85	2.90	2.79	3.01	3.05	2.97	US - Fed	5.25
GERMANY	2.52	2.58	2.48	2.16	2.23	2.12	2.23	2.29	2.19	2.42	2.48	2.37	England - BoE	4.50
JAPAN	-0.04	-0.03	-0.04	0.11	0.13	0.12	0.40	0.43	0.42	1.23	1.27	1.27	Euro zone - ECB	3.75
U.K.	3.80	3.83	3.68	3.60	3.63	3.48	3.77	3.80	3.65	4.17	4.19	4.07	Japan - BoJ	-0.10
	Spreads vs. U.S. (bps):													
CANADA	-21	-22	-24	-38	-38	-44	-55	-54	-59	-75	-75	-76	Mexico - Banxico	11.25
GERMANY	-134	-134	-131	-117	-116	-121	-117	-116	-119	-134	-132	-137	Australia - RBA	3.85
JAPAN	-390	-394	-383	-322	-326	-321	-299	-302	-296	-253	-253	-246	New Zealand - RBNZ	5.25
U.K.	-5	-9	-11	27	24	15	38	36	27	41	39	34		
Equities	Level			% change:										
	Last	Change		1 Day	1-wk	1-mo	1-yr							
S&P/TSX	20499	-86.4		-0.4	1.3	0.4	3.3							
Dow 30	33531	-30.5		-0.1	0.4	-0.5	5.3							
S&P 500	4138	18.5		0.4	1.1	0.7	5.1							
Nasdaq	12306	126.9		1.0	2.3	2.3	8.3							
DAX	15869	-27.5		-0.2	0.9	1.4	14.8							
FTSE	7712	-29.1		-0.4	-1.0	-0.9	5.0							
Nikkei	29127	4.5		0.0	0.0	3.7	13.1							
Hang Seng	19744	-18.4		-0.1	-1.0	-2.8	1.9							
CAC	7378	16.8		0.2	0.5	-0.2	17.7							
Commodities	Level			% change:										
WTI Crude	72.10	-0.46		-0.6	5.2	-11.6	-31.8							
Natural Gas	2.20	0.01		0.3	4.6	0.5	-71.2							
Gold	2035.99	5.90		0.3	-0.7	1.6	9.9							
Silver	25.52	-0.05		-0.2	1.1	2.3	16.7							
CRB Index	262.22	-1.90		-0.7	2.1	-4.6	-14.0							
Currencies	Level			% change:										
USDCAD	1.3420	0.0048		0.4	-0.9	-0.3	3.3							
EURUSD	1.0934	-0.0048		-0.4	-0.7	0.2	4.0							
USDJPY	134.11	-0.2300		-0.2	-0.1	0.3	3.2							
AUDUSD	0.6737	-0.0042		-0.6	0.7	1.2	-2.9							
GBPUSD	1.2597	-0.0028		-0.2	0.2	1.4	2.8							
USDCHF	0.8928	0.0030		0.3	0.8	-1.2	-10.2							
	Next Meeting Date													
	Canada - BoC		Jun 07, 2023											
	US - Fed		Jun 14, 2023											
	England - BoE		May 11, 2023											
	Euro zone - ECB		Jun 15, 2023											
	Japan - BoJ		Jun 16, 2023											
	Mexico - Banxico		May 18, 2023											
	Australia - RBA		Jun 06, 2023											
	New Zealand - RBNZ		May 23, 2023											

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